
Regulated Substances & Gaming Committee

HB 1344

Brief Description: Concerning taxation of low-proof beverages.

Sponsors: Representatives Chapman, Robertson and Caldier.

Brief Summary of Bill

- Adds a definition of "low-proof beverage" to liquor statutes.
- Exempts sales of low-proof beverages from the spirits retail license issuance fee paid by retailers, the spirits distributor license issuance fee paid by distributors, and spirits retail taxes paid by consumers and restaurants.
- Imposes a new tax of \$2.50 per gallon on sales of low-proof beverages paid by spirits distributors, distilleries and craft distilleries, and out-of-state spirits certificate of approval holders.

Hearing Date: 1/24/23

Staff: Peter Clodfelter (786-7127).

Background:

State law regulates the manufacture, distribution, and retail sale of liquor including spirits, wine, and malt liquor. "Spirits" is defined as any beverage that contains alcohol obtained by distillation, except flavored malt beverages, but including wines exceeding 24 percent of alcohol by volume.

"Wine" is defined as any alcoholic beverage obtained by fermentation of fruits (grapes, berries,

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apples, et cetera) or other agricultural product containing sugar, to which any saccharine substances may have been added before, during or after fermentation, and containing not more than 24 percent of alcohol by volume, including sweet wines fortified with wine spirits, such as port, sherry, muscatel, and angelica, not exceeding 24 percent of alcohol by volume and not less than 0.5 percent of alcohol by volume.

"Malt liquor" is defined as any beverage such as beer, ale, lager beer, stout, and porter obtained by the alcoholic fermentation of an infusion or decoction of pure hops, or pure extract of hops and pure barley malt or other wholesome grain or cereal in pure water containing not more than 8 percent of alcohol by weight, and not less than 0.5 percent of alcohol by volume.

Certain regulatory provisions apply to all tiers of the liquor industry equally; although, typically, different licenses, fees, taxes, privileges, and limitations apply to the manufacture, distribution, and sale of spirits, wine, and beer, respectively.

State taxes and fees applicable to sales of spirits include the following:

- A 17 percent spirits retail license issuance fee applies to sales of original containers of spirits by spirits retail licensees.
- A 5 percent spirits distributor license fee applies to spirits distributor sales to retailers (or a 10 percent fee in the first 27 months of the distributor's licensure).
- There are retail taxes, paid by consumers, on the retail sale of spirits in the original package, equivalent to 20.5 percent of the selling price, plus taxes equivalent to \$3.7708 per liter on the packaged spirits.
- There are taxes, paid by restaurant liquor licensees purchasing spirits from spirits distributors or other licensees acting as a distributor of spirits, equivalent to 13.7 percent of the selling price, plus a tax of \$2.4408 per liter on the packaged spirits.

Retail sales and use taxes do not apply to sales of spirits unopened in the original container. But retail sales and use taxes do apply to sales of spirits by the individual glass. Business and occupation taxes also apply to the manufacture, wholesale sale, and retail sale of all types of liquor.

Summary of Bill:

A definition of "low-proof beverage" is added to liquor statutes and means any beverage that is 16 ounces or less and that contains more than 0.5 percent alcohol by volume and less than 7 percent alcohol by volume, but does not include wine, malt beverages, or malt liquor.

Sales of low-proof beverages are exempted from the 17 percent spirits retail license issuance fee paid by licensed spirits retailers on their spirits sales revenues, and from the 5 percent or 10 percent spirits distributor license fee paid by licensed spirits distributors on their spirits sales revenues. Sales of low-proof beverages are exempted from the spirits sales and liter taxes paid by consumers and restaurant liquor licensees.

There is levied and collected a tax on the sale of low-proof beverages equal to \$2.50 per gallon as follows:

- a spirits distributor must pay the tax on sales of low-proof beverages to spirits retailers;
- a distillery or craft distillery that self-distributes low-proof beverages must pay the tax on sales to spirits retailers;
- a distillery or craft distillery that sells low-proof beverages directly to consumers pays the tax on those sales; and
- a holder of a spirits out-of-state certificate with a direct shipment endorsement that self-distributes must pay the tax on sales to spirits retailers.

Appropriation: None.

Fiscal Note: Requested on 01/23/2023.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.